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USDOC FOR 4530/MAC/ANESA/OSA
ICE HQ FOR STRATEGIC INVESTIGATIONS
STATE FOR EB/ESP

E.O. 12958: N/A

TAGS: BEXP ETRD ETTC IN

SUBJECT: EXTRANCHECK: POST-SHIPMENT VERIFICATION: ENTERYSYS
CORPORATION, SECUNDERABAD, INDIA

REF: USDOC 05145, 05146, 05151, 05152, 05153, 05154

¶1. Unauthorized disclosure of the information provided below is prohibited by Section 12(c) of the Export Administration Act.

¶2. On August 26, 2008, Export Control Officer (ECO) Paul Cushman and FSN Shailendra Srivastava conducted a Post-Shipment Verification (PSV) at Enterysys Corporation (ENTERYSYS) in Secunderabad.

¶3. BIS requested a PSV at ENTERYSYS, located at Public Sector Employee Colony, New Bowenpally, Secunderabad (suburb of Hyderabad). ENTERYSYS was listed as the ultimate consignee for 6 MICROBIOTIC MIDG-II inertial navigation systems with GPS, 6 PC interface connection kits, 6 GPS antennae, 1 NITON X-Ray portable alloy analyzer, 20 square meters used waste material, 65 leach contactors, 9 B/W monitors, 5 color monitors, 100 gauges and 4 CATTO propellers.
Export License: No License Required.

¶4. ECO and FSN Srivastava met with Mr. Shekhar Babu, Director, ENTERYSYS (USA). The events leading up to this meeting were bizarre. When BIS initially contacted ENTERYSYS, the office manager advised that the company's director was out of the country and nobody else had knowledge of the shipments in question. The office manager went on to say that he did not know when the director would return to India and he had no way to contact him. Subsequently, BIS contacted Environmental & Spatial Solutions (ESS), another company in Hyderabad, for the purpose of scheduling a PSV. During this conversation, FSN Srivastava learned that ESS and ENTERYSYS have a long-standing, close business relationship. Shortly after this conversation, Babu telephoned FSN Srivastava directly, stated that he was in Hyderabad, and expressed his willingness to schedule the PSVs at the earliest opportunity. The meeting was set for August 26th. However, late in the afternoon on August 25th, Babu attempted to move the meeting to August 27th. ECO sensed that Babu was stalling for time and refused his request. The meeting was held in Babu's office at ENTERYSYS. This business is run out of a small house in a residential neighborhood. Babu lives in a separate residence in the same neighborhood.

¶5. Babu was familiar with BIS regulations; however, this was the first visit by BIS officials to his facility. Babu provided the following documents: ENTERYSYS Purchase Order, ENTERYSYS Invoice, ENTERYSYS Packing List and Air Waybill for the 6 MICROBIOTIC MIDG-II inertial navigation systems with GPS, 6 PC interface connection kits, 6 GPS antennae, and 1 NITON X-Ray portable alloy analyzer; ENTERYSYS Purchase Order, ASTER Invoice, ASTER Packing List and Air Waybill for the leach contactors; ENTERYSYS Purchase Order, ASTER Order Acknowledgement, and Delivery Challan for the television monitors and CATTO propellers.

¶6. Babu stated that he could not find any documents relating to the 20 square meters of waste material valued at \$200. ECO inspected

and photographed the supposed waste material which was wound around a cardboard spool. It was a shiny, jet-black, woven material that was very pliable and slippery to the touch. Babu said that he imported the material with the idea of selling it to manufacturers of electrical components who would use it as packaging material. So far, he had not found any customers. ECO asked Babu if the purported waste material was actually the 20 square meters of NICALON ceramic cloth (value: \$15,460) purchased by ENTERYSYS USA four days prior to this shipment. NICALON ceramic cloth is controlled by BIS under ECCN: 1C010 and therefore, would require an export license. Babu denied that the material was ceramic cloth but could not explain the coincidence. Babu also denied that the material was imported on behalf of TECHNICAL ENTERPRISE (a distributor in Hyderabad).

¶ 17. Babu stated that the MICROBIOTIC MIDG-II inertial navigation systems with GPS, PC interface connection kits, GPS antennae were purchased for a research & development project at Amrita University in Bangalore. The university was working with a municipal transportation authority to develop a tracking and reporting system for its bus fleet. However, this deal fell through when the project's funding dried up. Babu denied that the actual intended end-user was GOI's Armament Research & Development Establishment (ARDE). Babu asserted that ENTERYSYS has never sold anything to ARDE. Currently, Babu is looking for another customer for the equipment which was physically verified by the BIS team.

¶ 18. Babu explained that a portable alloy analyzer is an excellent testing tool for semiconductor manufacturers. This technology can be used to quickly, non-invasively analyze the composition of a microchip wafer during the manufacturing process. Babu has not yet identified any customers in India. Babu denied that this piece of equipment was actually imported on behalf of GOI's Research Center

Imarat. ECO physically verified the NITON XLT898 and recorded its serial number as 8075.

¶ 19. Babu explained that a leach contactor is an excellent tool for improving efficiency in the battery manufacturing industry. Babu stated that he is currently exploring the Indian market for customers. ECO questioned Babu as to why Defence Research & Development Laboratory (DRDL), a GOI agency, is repeatedly referenced in the shipping documents if it was not the intended end-user. Babu could not provide an explanation. ECO physically verified the 65 leach contactors and recorded their part number as C400-B3A-001.

¶ 110. Babu stated that the importation of the television monitors was made on behalf of GOI's Instruments Research & Development Establishment (IRDE), Ministry of Defence. Babu clarified that ENTERYSYS had ordered only eight B/W monitors as opposed to the nine referenced in USDOC 05153. ECO physically verified 8 B/W and 5 color monitors. Babu stated that the monitors would soon be transferred to IRDE.

¶ 111. Babu explained that the importation of the CATTO propellers was made on behalf of GOI's Aeronautical Development Establishment (ADE). He stated that ADE required these items for research & development purposes (NFI). Because the transfer to ADE had already taken place, physical verification could not be accomplished. Babu provided the following documents detailing the transfer of these items to ADE: Purchase Order, Customs Duty Exemption Certificate, Payment Request, and Delivery Challan.

¶ 112. Established in 2000, ENTERYSYS began as an Indian distributor of American products. It has since evolved into a value-added service provider, specializing in project solutions. A second company named ASTER is run out of the ENTERYSYS USA facility in Milpitas, California. It is also owned and operated by Shekar and P.N. Babu. Babu explained that ASTER focuses on products while ENTERYSYS USA focuses on services.

¶ 113. Babu stated that he is the Director of ENTERYSYS USA and his father, P.N. Babu, is the Director of the ENTERYSYS liaison office in India. However, about a year prior, they traded places temporarily. Babu explained that ENTERYSYS has been operating in the red over the past few years. So, he returned to India to assess the markets himself. There are no other corporate officers. At the

time of this PSV, P.N. Babu was residing with his other son, Bhaskar Babu (a.k.a. "Brad") in San Jose, California. However, P.N. Babu was scheduled to return to India on September 10, 2008. Babu said that he plans to return to California in the "next few months." Brad is employed by Orient Overseas Container Line Ltd. (OOCL) as an IT specialist. Brad moonlights at ENTERYSYS USA and ASTER. In addition, an Indian National named Gaurav (a.k.a. "Gary") works part-time for ENTERYSYS USA and ASTER. Babu claimed that Gaurav has no surname. Babu stated that he believes Gary is a resident alien who recently completed his studies at a university in the San Jose area (possibly San Jose State University). Gary is currently looking for a full-time job.

¶14. Recommendation: At the time of this visit, Enterysys Corporation did not appear to be a suitable recipient of controlled technology. Although most of the items on check were physically verified, much of the information provided by the company's director was nonsensical and his behavior was highly suspicious.

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